

Anna M. Menke

**Certified Public Accountant
A Professional Corporation**

SOUTH IOWA AREA DETENTION SERVICE AGENCY

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2010

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SOUTH IOWA AREA DETENTION SERVICE AGENCY

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve McCoy	Executive Director	
Max Proctor	Chairman	Davis County
Willie Van Weelden	Vice Chairman	Mahaska County
Jerry Parker	Secretary/Treasurer	Wapello County
Dean Kaster	Member	Appanoose County
Dan Cahill	Member	Des Moines County
Richard Reed	Member	Jefferson County
Larry Kruse	Member	Lee County
Chris Ball	Member	Louisa County

SOUTH IOWA AREA DETENTION SERVICE AGENCY

Ann M. Menke

Certified Public Accountant
A Professional Corporation

Independent Auditor's Report

To the Board of Directors of the
South Iowa Area Detention Service Agency
Fairfield, Iowa

I have audited the accompanying financial statement of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2010. This financial statement is the responsibility of the South Iowa Area Detention Service Agency's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

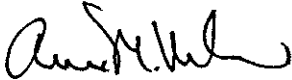
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the South Iowa Area Detention Service Agency as of June 30, 2010 and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated December 15, 2010 on my consideration of the South Iowa Area Detention Service Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance with the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 8 through 11 is not a required part of the basic financial statement, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann M. Menke", with a stylized, cursive script.

Ann M. Menke
Certified Public Accountant
Professional Corporation
December 15, 2010

SOUTH IOWA AREA DETENTION SERVICE AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Iowa Area Detention Service Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the South Iowa Area Detention Service Agency's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Operating receipts decreased 7.2%, or approximately \$98,392, from fiscal year 2009 to fiscal year 2010.
- Operating disbursements decreased 26.5%, or approximately \$379,591, from fiscal year 2009 to fiscal year 2010.
- Cash basis net assets increased approximately \$146,306, or 31.8%, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than generally accepted accounting principles in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenue and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from cash basis on accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of a series of financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for detention care fees from the members and nonmembers of the Agency and transport fees, lunch reimbursement, and DHS reimbursement. Operating disbursements are disbursements paid to operate the Agency. Non-operating receipts and disbursements are for interest on investments and equipment purchases.

	Year ended June 30,	
	2010	2009
Operating receipts:		
Detention care fees	\$ 794,717	\$ 852,598
Transport fees	100,726	91,633
DHS reimbursement	334,443	384,310
Lunch reimbursement	24,178	18,291
Other reimbursements	12,504	18,128
Total operating receipts	1,266,568	1,364,960
Operating disbursements:		
Salaries	587,899	882,236
Payroll taxes and benefits	189,413	255,659
Advertising	235	337
Dues and subscriptions	878	476
First aid and pharmacy	8,065	11,754
Food contract	32,364	29,730
Insurance	38,025	44,911
Juvenile clothing, linens, and other supplies	3,872	3,699
Office expense	3,053	3,887
Physician	9,483	11,664
Professional fees	32,625	39,013
Repairs and maintenance	14,813	13,438
Telephone	5,564	7,440
Training	385	2,557
Transport expenses	101,418	81,563
Trash removal	756	1,679

Travel	4,211	10,428
Utilities	18,067	30,246
Total disbursements	<u>1,051,126</u>	<u>1,430,717</u>
Excess of operating receipts Over operating disbursements	<u>215,442</u>	<u>-65,757</u>
Non-operating receipts (disbursements):		
Interest income	759	4,307
Sale of capital assets		223,016
Capital purchases	-20,173	0
Termination reimbursement	<u>-49,722</u>	<u>0</u>
Net non-operating disbursements	<u>-69,136</u>	<u>227,323</u>
Change in cash basis net assets	146,306	161,566
Net assets-cash basis beginning of year	<u>459,025</u>	<u>297,459</u>
Cash basis net assets end of year	<u>\$ 605,331</u>	<u>\$ 459,025</u>

In fiscal year 2010, operating receipts decreased \$98,392, or 7.2%, over fiscal year 2009. The decrease was primarily a result of closing the Lucas County facility in fiscal 2009. In fiscal year 2010, operating disbursements decreased \$379,591, or 26.5%, over fiscal year 2009. The decrease was primarily due to lower salaries, payroll taxes, and benefits as a result of the closing of the Lucas County facility. Many other general operating expenses were down for this same reason.

The Agency's net assets increased approximately \$146,306, or 31.8%, during the year.

ECONOMIC FACTORS

A review of the fiscal year budget for the Agency showed actual operating income exceeded expectations by \$219,874, with operating receipts being more than expected and operating expenditures were less than projected.

The current financial status of the organization indicates financial assets total approximately \$605,331.

The State Detention Reimbursement Fund remitted \$334,443, which covered approximately 31.82% of our operating expenses for fiscal year 2010.

The fiscal year ended with 4,756 billing days, down approximately 200 days from fiscal year 2009. Overall for the year, capacity at the Lee facility was approximately 62% and average daily population was 13.

Two of the member counties, Union and Lucas, notified the Chairman of their intent to withdraw from the Agency. Both counties indicated that with only the Lee facility operating, the transport time/distance was too great for them to continue to use it, and both had signed agreements to house juveniles at Clark County Jail in Osceola. Both counties were refunded \$24,860.80 each as a 10 percent share of the net proceeds of the Lucas County property sale.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve McCoy, Executive Director, South Iowa Area Detention Service Agency, 212 Glasgow Road, Fairfield, Iowa, 52556.

BASIC FINANCIAL STATEMENT

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS NET ASSETS
As of and for the Year Ended June 30, 2010**

Operating receipts:	
Detention care fees	\$ 794,717
Transport fees	100,726
DHS reimbursement	334,443
Lunch program reimbursement	24,178
Other reimbursements	<u>12,504</u>
Total operating receipts	<u>1,266,568</u>
Operating disbursements:	
Salaries	587,899
Payroll taxes and employee benefits	189,413
Advertising	235
Dues and subscriptions	878
First aid and pharmacy	8,065
Food contract	32,364
Insurance	38,025
Juvenile clothing, linens, and other supplies	3,872
Office expense	3,053
Physician	9,483
Professional fees	32,625
Repairs and maintenance	14,813
Telephone	5,564
Training	385
Transports	101,418
Trash removal	756
Travel	4,211
Utilities	<u>18,067</u>
Total operating disbursements	<u>1,051,126</u>
Excess of operating receipts over operating disbursements	<u>215,442</u>
Non-operating receipts (disbursements):	
Interest income	759
Capital purchases	(20,173)
Termination reimbursement	<u>(49,722)</u>
Net non-operating disbursements	<u>(69,136)</u>
Net change in cash basis net assets	146,306
Unrestricted net assets - cash basis beginning of year	<u>459,025</u>
Unrestricted net assets - cash basis end of year	<u><u>\$ 605,331</u></u>

See notes to financial statements.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Iowa Area Detention Service Agency was formed in 1991 by ten Southern Iowa member counties, eight of whom remain members of the Agency, pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency operates a juvenile detention facility located in Montrose, Iowa. The Agency is governed by a Board comprised of one representative from each of the following member counties: Appanoose, Davis, Des Moines, Jefferson, Lee, Louisa, Mahaska, and Wapello. In the performance of its duties, the Board may cooperate with, contract with, and accept and expend funds from federal, state, or local agencies, public or semi-public, private individuals or corporations, and may carry out such cooperative undertakings and contracts as provided by law.

A. Reporting Entity

For financial reporting purposes, the South Iowa Area Detention Service Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The South Iowa Area Detention Service Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

Several members of the Agency's board of directors are also board members of the South Iowa Area Crime Commission, which is a jointly governed organization. Since it provides services to the member counties of the Agency but does not meet the criteria of a joint venture, there is no ongoing financial interest or responsibility by the participating governments.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operations and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statement does not present the financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

D. Budgets and Budgetary Accounting

The budgetary comparison is reported as Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposits or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had deposits in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$576,366 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Credit risk – The Agency's investment in the Iowa Public Agency Investment Trust is unrated.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 3 – PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the Agency is required to contribute 6.65% of annual covered salary. The Agency's contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$39,052, \$53,912, and \$65,294, respectively, equal to the required contribution for each year.

NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The Agency operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 14 active members in the plan. Participants must be age 55 or older at retirement. Retirees who choose to remain on the plan are required to pay the full cost of the premium to the Agency each month. The Agency then remits those premiums to Wellmark.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. However, retirees have to reimburse the Agency for the full cost of the premium themselves as the Agency does not fund the coverage for retirees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$726 for single coverage and \$1,460 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the Agency contributed \$103,469 and plan members eligible for benefits contributed \$2,796 to the plan.

NOTE 5 – COMPENSATED ABSENCES

Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Unused vacation hours are paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Agency until used or paid. Employees accumulate sick leave up to a maximum of 865 hours. If not used this sick leave is lost upon termination, retirement, or death. The Agency's approximate liability for earned vacation and sick leave payable to employees at June 30, 2010, was \$17,716 and \$90,152, respectively.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 6 – RISK MANAGEMENT

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2010 were \$22,754.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 6 – RISK MANAGEMENT (CONTINUED)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2010, the date which the financial statements were available for issue.

NOTE 8 – CHANGE IN ACCOUNTING METHOD

The board of directors approved changing from the accrual method of accounting to the cash method of accounting as of July 1, 2009. The reason for this change was to have the financial statement coincide with the way the Agency budgets as well as to be exempted from having to obtain an actuarial opinion for post employment benefits. The effect of this changes reduces beginning net assets by \$1,093,715. The prior year financials as reported in the Management's Discussion and Analysis have been restated to the cash basis numbers for the year ended June 30, 2009.

SUPPLEMENTARY INFORMATION

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
COMPARISON OF RECEIPTS AND DISBURSEMENTS
ACTUAL TO BUDGET**

For the Year Ended June 30, 2010

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Operating receipts:			
Detention Care fees	\$ 794,717	\$ 689,280	\$ 105,437
Transport fees	100,726	90,000	10,726
DHS reimbursement	334,443	269,255	65,188
Lunch program reimbursement	24,178	16,000	8,178
Other reimbursements	12,504	12,000	504
Total operating receipts	<u>1,266,568</u>	<u>1,076,535</u>	<u>190,033</u>
Operating disbursements:			
Salaries	587,899	599,402	11,503
Payroll taxes and employee benefits	189,413	188,715	(698)
Advertising	235	100	(135)
Dues and subscriptions	878	1,000	122
First aid and pharmacy	8,065	-	(8,065)
Food contract	32,364	36,000	3,636
Insurance	38,025	45,000	6,975
Juvenile clothing, linens, and other supplies	3,872	18,750	14,878
Office expense	3,053	3,400	347
Physician	9,483	8,000	(1,483)
Professional fees	32,625	33,500	875
Repairs and maintenance	14,813	16,100	1,287
Telephone	5,564	6,000	436
Training	385	3,000	2,615
Transports	101,418	90,000	(11,418)
Trash removal	756	1,500	744
Travel	4,211	5,500	1,289
Utilities	18,067	25,000	6,933
Total operating disbursements	<u>1,051,126</u>	<u>1,080,967</u>	<u>29,841</u>
Excess of operating receipts over operating disbursements	<u>215,442</u>	<u>(4,432)</u>	<u>219,874</u>
Non-operating receipts (disbursements):			
Interest income	759	4,600	(3,841)
Capital purchases	(20,173)	-	(20,173)
Termination reimbursement	(49,722)	-	(49,722)
Net non-operating disbursements	<u>(69,136)</u>	<u>4,600</u>	<u>(73,736)</u>
Excess/(deficiency) of receipts over disbursements	<u>\$ 146,306</u>	<u>\$ 168</u>	<u>\$ 146,138</u>

See accompanying notes.

SOUTH IOWA AREA DETENTION SERVICE AGENCY

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Ann M. Menke

**Certified Public Accountant
A Professional Corporation**

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in
Accordance with Government Auditing Standards

To the Board of Directors of the
South Iowa Area Detention Service Agency
Fairfield, Iowa

I have audited the accompanying financial statements of the governmental activities and each major fund of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued my report thereon dated December 15, 2010. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the South Iowa Area Detention Service Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of South Iowa Area Detention Service Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the South Iowa Area Detention Service Agency's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weakness.

A deficiency exists in internal control when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of South Iowa Area Detention Service Agency's financial statement will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as item 2010-I-A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Iowa Area Detention Service Agency's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

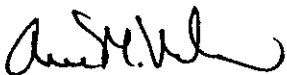
Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statement of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The South Iowa Area Detention Service Agency's written responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Agency's responses, I did not audit the Agency's responses, and accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the South Iowa Area Detention Service Agency and other parties to whom the Agency may report and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the South Iowa Area Detention Service Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,



Ann M. Menke
Certified Public Accountant
December 15, 2010

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2010**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

2010-I-A:

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted the same individual who prepares the bank deposits may also prepare billings, maintain cash receipts and accounts receivable records, prepare checks, and record disbursements in the accounting records.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is difficult. However, we will continue to have the manager and other staff, where appropriate, review receipts, invoices and bill payments, and payroll as much as possible.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

2010-II-A

Questionable Disbursements – No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

2010-II-B

Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

2010-II-C

Agency Meetings – No transactions were found that I believe should have been approved in the Agency minutes but were not.

2010-II-D

Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

SOUTH IOWA AREA DETENTION SERVICE AGENCY

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Kristy Adams, Staff Auditor